

What You Need to Know About the Proposed Changes to the Standards

Angela Simatupang, CIA CRMA



The Institute of
Internal Auditors

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ANGELA SIMATUPANG CIA CRMA

Member, International Internal Audit Standards Board



President, IIA Indonesia

Senior Partner at RSM in Indonesia

Member of Global Board of Director at RSM International Limited UK



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Elevating Impact

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The contents in this presentation are draft for consultation;
thus, they are subject to change.

Agenda

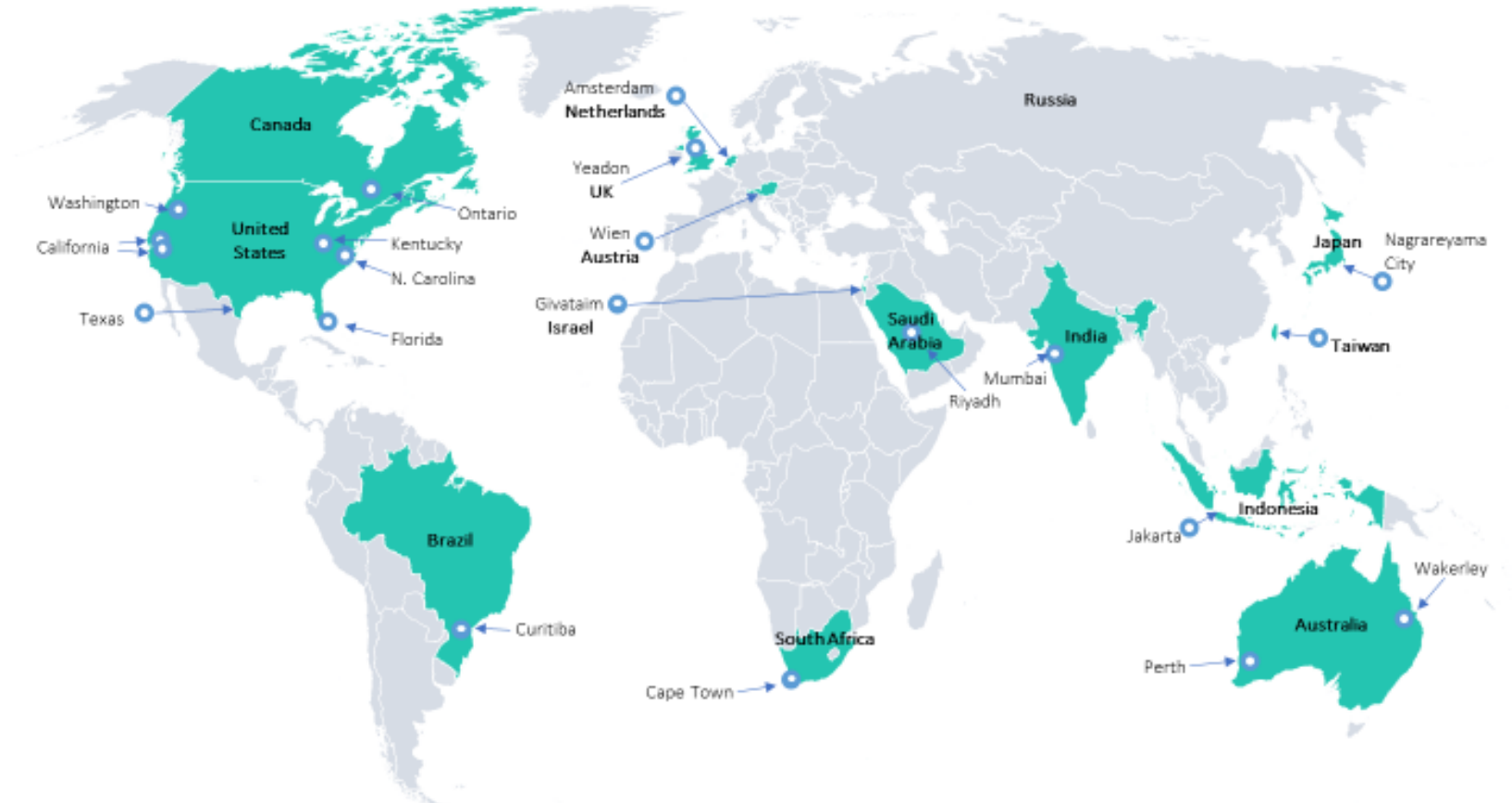
- 1. Introduction and Administrative Announcements**
- 2. IPPF Evolution Project**
- 3. IPPF Changes**
- 4. Structure and Elements of the Standards**
- 5. Proposed Glossary**
- 6. Proposed Principles and Standards – Domains I through V**
- 7. Key Impacts**
- 8. Q&A**
- 9. Public Comment Period**



IPPF Evolution Project

- ❖ Reminders
- ❖ Acknowledgments
 - IIASB
 - IIA HQ

2022 – 2023 International Internal Audit Standards Board Global Representation



IPPF Evolution Project





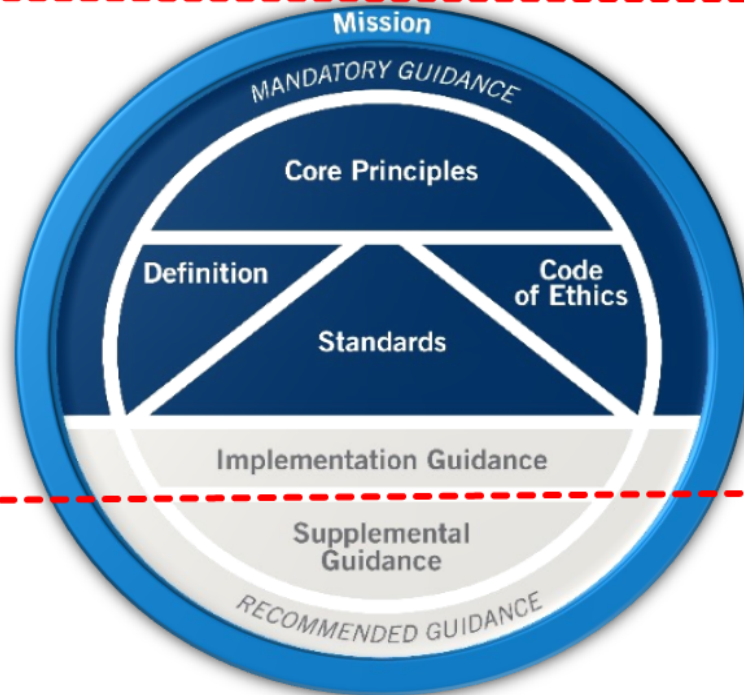
IPPF Changes



Current and Proposed IPPF

Current

International Professional Practices Framework



Proposed

International Professional Practices Framework

Global Internal Audit Standards

Guidance will continue to be a recommended part of the framework.

Topical Requirements

A new mandatory element under early consideration but not yet developed.

If approved, Topical Requirements would cover governance, risk management, and control processes over specific audit subjects.



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New Structure

Five Domains

15 Principles

53 Standards

- Requirements
- Considerations for:
 - Implementation
 - Evidence of Conformance





Global Internal Audit Standards

5 Domains, 15 Principles

Domain I. Purpose of Internal Auditing

II. Ethics and Professionalism

- 1. Demonstrate Integrity
- 2. Maintain Objectivity
- 3. Demonstrate Competency
- 4. Exercise Due Professional Care
- 5. Maintain Confidentiality

III. Governing the Internal Audit Function

- 6. Authorized by the Board
- 7. Positioned Independently
- 8. Overseen by the Board

IV. Managing the Internal Audit Function

- 9. Plans Strategically
- 10. Manages Resources
- 11. Communicates Effectively
- 12. Enhances Quality

V. Performing Internal Audit Services

- 13. Plan Engagements Effectively
- 14. Conduct Engagement Work
- 15. Communicate Engagement Conclusions and Monitor Action Plans



Glossary



Noteworthy Changes to Glossary



Old Term or Concept (Changing)	New Term
consulting services →	advisory services
engagement opinion →	engagement conclusion
internal audit activity →	internal audit function
purpose, authority, responsibility →	internal audit mandate
policies and procedures (internal audit) →	methodologies

Not a comprehensive list.
See the Glossary
Disposition resource at
theiia.org/IPPFevolution.

Existing Terms With New Definitions
board
control processes
fraud
internal auditing
risk appetite
should

New to the Glossary				
assurance	finding	integrity	public sector	risk tolerance
competency	engagement planning	internal audit manual	residual risk	root cause
condition	engagement supervisor	internal audit plan	results of internal audit services	senior management
criteria	impact	likelihood	risk and control matrix	stakeholder
effect	inherent risk	may	risk assessment	workpapers



Domain I. Purpose of Internal Auditing

Domain I. Purpose of Internal Auditing

Internal auditing enhances the organization's success by providing the board and management with objective assurance and advice.

Internal auditing strengthens the organization's:

- Value creation, protection, and sustainability.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Internal auditing is most effective when:

- It is performed by qualified internal auditors in conformance with the Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from bias and undue influence and committed to making objective assessments.





Domain II. Ethics and Professionalism

Domain II. Ethics and Professionalism Overview

1. Demonstrate Integrity

Internal auditors demonstrate integrity in their work and behavior.

1.1 Honesty and Courage

1.2 Organization's Ethical Expectations

1.3 Legal and Professional Behavior

2. Maintain Objectivity

Internal auditors maintain an impartial and unbiased attitude when performing internal audit services and making decisions.

2.1 Individual Objectivity

2.2 Safeguarding Objectivity

2.3 Disclosing Impairments to Objectivity

3. Demonstrate Competency

Internal auditors apply the knowledge, skills, and abilities to fulfill their roles and responsibilities successfully.

3.1 Competency

3.2 Continuing Professional Development

4. Exercise Due Professional Care

Internal auditors apply due professional care in planning and performing internal audit services.

4.1 Conformance with Global Internal Audit Standards™

4.2 Due Professional Care

4.3 Professional Skepticism

5. Maintain Confidentiality

Internal auditors use and protect information appropriately.

5.1 Use of Information

5.2 Protection of Information



Domain II. Ethics and Professionalism

Principle 1. Demonstrate Integrity

1. Demonstrate Integrity

Internal auditors demonstrate integrity in their work and behavior.

1.1 Honesty and Courage

1.2 Organization's Ethical Expectations

1.3 Legal and Professional Behavior

Highlights

- Standard 1.1 new emphasis on courage.
- Standard 1.1 public sector consideration – “should always protect the public interest.”
- Standards 1.2 and 1.3 are similar to existing Rules of Conduct.



Domain II. Ethics and Professionalism

Principle 2. Maintain Objectivity

2. Maintain Objectivity

Internal auditors maintain an impartial and unbiased attitude when performing internal audit services and making decisions.

2.1 Individual Objectivity

2.2 Safeguarding Objectivity

2.3 Disclosing Impairments to Objectivity

Highlights

- Expectations from the Code of Ethics and the current Standards were consolidated.
- Concepts of objectivity (individual) and independence (functional) have been separated.
- 2.2 provides Consideration for Implementation in the public sector.
- 2.3 Disclosures related to CAE roles beyond internal auditing.



Domain II. Ethics and Professionalism

Principle 3. Demonstrate Competency

3. Demonstrate Competency

Internal auditors apply the knowledge, skills, and abilities to fulfill their roles and responsibilities successfully.

3.1 Competency

3.2 Continuing Professional Development

Highlights

- 3.1 Competency – specific types of knowledge identified.
- 3.2 Continuing Professional Development – 20 hours of continuing professional development annually for all internal auditors and



Domain II. Ethics and Professionalism

Principle 4 Exercise Due Professional Care

4. Exercise Due Professional Care

Internal auditors apply due professional care in planning and performing internal audit services.

4.1 Conformance with
Global Internal Audit
Standards™

4.2 Due Professional Care

4.3 Professional Skepticism

Highlights

- Due Professional Care expectations from the current Standards now appear under Principle 4.
- 4.2 Fundamental expectations for performing services.
- 4.3 New – Professional skepticism standard.



Domain II. Ethics and Professionalism

Principle 5. Maintain Confidentiality

5. Maintain Confidentiality

Internal auditors use and protect information appropriately.

5.1 Use of Information

5.2 Protection of Information

Highlights

- Clarifies, using more specific language about information that may be confidential, proprietary, and/or personally identifiable.
- Consolidates information about policies and procedures for handling engagement records.
- 5.2 Consideration for Implementation in the public sector.





Domain III. Governing the Internal Audit Function

Domain III. Governing the Internal Audit Function

6. Authorized by the Board

The board establishes the authority, role, and responsibilities of the internal audit function.

6.1 Internal Audit Mandate

6.2 Board Support

7. Positioned Independently

The board establishes and protects the internal audit function's independence.

7.1 Organizational Independence

7.2 Chief Audit Executive Roles

7.3 Safeguards to Independence

8. Overseen by the Board

The board oversees the internal audit function to ensure the function's effectiveness.

8.1 Board Interaction

8.2 Resources

8.3 Quality

8.4 External Assessment of Conformance



Domain III. Governing the Internal Audit Function

Principle 6. Authorized by the Board

6. Authorized by the Board

The board establishes the authority, role, and responsibilities of the internal audit function.

6.1 Internal Audit Mandate

6.2 Board Support

Highlights

- 6.1 “Mandate” is used to mean “authority, role, and responsibilities” that the board establishes and approves.
- 6.2 Identifies specific ways the board must demonstrate its support for the internal audit function and ensure its recognition throughout the organization.
- 6.2 Two Considerations for Implementation are specific to public sector.

Domain III. Governing the Internal Audit Function

Principle 7 Positioned Independently

7. Positioned Independently

The board establishes and protects the internal audit function's independence.

7.1 Organizational Independence

7.2 Chief Audit Executive Roles, Responsibilities, and Qualifications

7.3 Safeguards to Independence

Highlights

- 7.1 Requires the board to establish a direct reporting relationship with the CAE and the IAF.
- 7.2 addresses CAE's primary role and qualifications. The board must approve CAE responsibilities and ensure CAE has the qualifications & competencies to manage the function & ensure quality performance.
- 7.3 addresses nonaudit roles that the CAE may be asked to perform and safeguards to independence.



Domain III. Governing the Internal Audit Function

Principle 8 Overseen by the Board

8. Overseen by the Board

The board oversees the internal audit function to ensure the function's effectiveness.

8.1 Board Interaction

8.2 Resources

8.3 Quality

8.4 External Assessment of Conformance

Highlights

- 8.2 Board must ensure that the IAF has sufficient resources. CAE must identify and communicate the resources necessary.
- 8.3 Quality = Conformance + Performance
- 8.4 Board must ensure EQA happens at least every 5 years.
 - Self-assessment with independent validation, only once in 10 years (alternated with full EQA).
 - Assessor qualifications: At least one active CIA on team + evidence completion of IIA-recognized training.



Domain IV. Managing the Internal Audit Function

Domain IV. Managing the Internal Audit Function

9. Plans Strategically

The chief audit executive plans strategically to ensure the internal audit function fulfills its mandate and is positioned for long-term success.

9.1 Understanding GRC Processes

9.2 Internal Audit Strategy

9.3 Internal Audit Charter

9.4 Methodologies

9.5 Internal Audit Plan

9.6 Coordination and Reliance

10. Manages Resources

The chief audit executive manages resources to implement the internal audit function's strategy, complete its plan, and achieve its mandate.

10.1 Financial Resource Management

10.2 Human Resource Management

10.3 Technological Resources

11. Communicates Effectively

The chief audit executive ensures the internal audit function communicates effectively with its stakeholders.

11.1 Building Relationships and Communicating with Stakeholders

11.2 Effective Communication

11.3 Communicating Results

11.4 Errors and Omissions

11.5 Communicating the Acceptance of Risks

12. Enhances Quality

The chief audit executive ensures conformance with the Global Internal Audit Standards™ and continuously improves the internal audit function's performance.

12.1 Internal Quality Assessment

12.2 Performance Measurement

12.3 Ensuring and Improving Engagement Performance



Domain IV. Managing the Internal Audit Function

Principle 9 Plans Strategically

9. Plans Strategically

The chief audit executive plans strategically to ensure the internal audit function fulfills its mandate and is positioned for long-term success.

9.1 Understanding GRC Processes

9.2 Internal Audit Strategy

9.3 Internal Audit Charter

9.4 Methodologies

9.5 Internal Audit Plan

9.6 Coordination and Reliance

Highlights

- 9.1 Modified concepts from 2100 – 2130.
- 9.2 Strategy for IAF: vision, strategic objectives, supporting initiatives to guide the function.
- 9.3 Public sector consideration
- 9.4 Replaces 2040; lists specific policies, procedures, and processes required, basically the contents of an internal audit manual.
- 9.5 Incorporates 2010 and 2010.A1. Elevates risk assessment as required for determining all priorities of internal audit plan (not just assurance).



Domain IV. Managing the Internal Audit Function

Principle 10 Manages Resources

10. Manages Resources

The chief audit executive manages resources to implement the internal audit function's strategy, complete its plan, and achieve its mandate.

10.1 Financial Resource Management

10.2 Human Resource Management

10.3 Technological Resources

Highlights

- 10.1 Must present budget to board for approval.
- Considerations for public sector, small functions, outsourced functions.
- 10.2 Must establish program to recruit, develop, and retain qualified internal auditors, evaluate competencies. Board must approve resource plan.
- 10.3 Must ensure IAF has appropriate technology, evaluate opportunities to improve.



Domain IV. Managing the Internal Audit Function

Principle 11 Communicates Effectively

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The chief audit executive ensures the internal audit function communicates effectively with its stakeholders.

11.1 Building Relationships and Communicating with Stakeholders

11.2 Effective Communication

11.3 Communicating Results

11.4 Errors and Omissions

11.5 Communicating the Acceptance of Risks

Highlights

- 11.1 Develop an approach to build relationships and trust through formal & informal communications.
- 11.3 Communicating Results of IA services at CAE's macro level: engagement conclusions, themes, and conclusions at the level of the business unit or organization.
- 11.5 Unacceptable level of risk defined as level of risk that exceed the organization's risk tolerance. CAE must discuss with senior mgmt. If unresolved, escalate to board.



Domain IV. Managing the Internal Audit Function

Principle 12 Enhances Quality

12. Enhances Quality

The chief audit executive ensures conformance with the Global Internal Audit Standards™ and continuously improves the internal audit function's performance.

12.1 Internal Quality Assessment

12.2 Performance Measurement

12.3 Ensuring and Improving Engagement Performance

Highlights

- 12.1 Ongoing monitoring evaluates against performance objectives, periodic self-assessments evaluate conformance.
- 12.2 CAE develops performance objectives, methodology for assessing performance, and action plan to address issues, opportunities.
- 12.3 Engagements to be performed in conformance with Standards & internal audit methodologies. Internal auditors to receive guidance throughout engagement, feedback, and opportunities for improvement.





Domain V. Performing Internal Audit Services

Domain V. Performing Internal Audit Services

13. Plan Engagements Effectively

Internal auditors plan each engagement using a systematic, disciplined approach.

13.1 Engagement Communication

13.2 Engagement Risk Assessment

13.3 Engagement Objectives and Scope

13.4 Evaluation Criteria

13.5 Engagement Resources

13.6 Work Program

14. Conducting Engagement Work

Internal auditors implement the engagement work program to achieve the engagement objectives.

14.1 Gathering Information for Analysis and Evaluation

14.2 Analyses and Potential Engagement Findings

14.3 Evaluation of Findings

14.4 Recommendations and Action Plans

14.5 Developing Engagement Conclusions

14.6 Documenting Engagements

15. Communicate Engagement Conclusions and Monitor Actions Plans

Internal auditors communicate the engagement findings and conclusions to the appropriate parties and monitor management's progress toward the completion of action plans.

15.1 Final Engagement Communication

15.2 Confirming the Implementation of Action Plans



Domain V. Performing Internal Audit Services

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13.4 Evaluation Criteria

13.5 Engagement Resources

13.6 Work Program

Highlights

- 13.1 Specific communication required for each engagement: initial, ongoing, closing, and final.
- 13.2 Risk assessment required for every engagement.
- 13.4 Criteria required for every engagement.
- 13.6 Engagement planning described in these standards is documented in work program – clarifying that multiple, separate documents are not required.

Domain V. Performing Internal Audit Services

14. Conducting Engagement Work

Internal auditors implement the engagement work program to achieve the engagement objectives.

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14.2 Analyses and Potential Engagement Findings

14.3 Evaluation of Findings

14.4 Recommendations and Action Plans

14.5 Developing Engagement Conclusions

14.6 Documenting Engagements

Highlights

- 14.1. Qualities of relevant, reliable, and sufficient information, evidence.
- 14.2 Analyses to produce potential findings: conditions compared to criteria.
- 14.3 Root cause, effect, significance. If significant risk, then finding, including indication of each finding's significance.
- 14.4 Formulate recommendations, obtain management's action plans.
- 14.5 Develop conclusion about overall significance of findings in aggregate, indicate significance.



Domain V. Performing Internal Audit Services

15. Communicate Engagement Conclusions and Monitor Action Plans

Internal auditors communicate the engagement findings and conclusions to the appropriate parties and monitor management's progress toward the completion of action plans.

15.1 Final Engagement Communication

15.2 Confirming the Implementation of Action Plans

Highlights

- 15.1 Clarified separation between internal auditors' responsibility to create the final communication and CAE's responsibility to distribute and communicate. Required elements of communication.
- 15.2 Internal auditors must confirm that management has implemented agreed-upon action plans. If not, auditors must inform CAE, who is responsible for determining whether senior management has accepted the risk.

Summary of Changes



New Structure

- Consolidating and streamlining six elements (Mission, Definition, Code of Ethics, Core Principles, Standards, and Implementation Guides) into the Standards.
- Aligning the Standards with the Principles.

New Content

- Purpose of Internal Auditing.
- 15 Principles.
- Considerations for Implementation and for Evidence of Conformance.
- Considerations for public sector, small functions, and others.

Changes and Clarifications

- Emphasizing board's role in governing the internal audit function.
- Clarifying the role of chief audit executives in managing the internal audit function.
- Incorporating new performance requirements to ensure quality of internal audit services,
Quality = Conformance + Performance.
- Adding detailed steps to performing engagements.



Questions?

Also, feel free to email us at standards@theiia.org



Public Comment Period

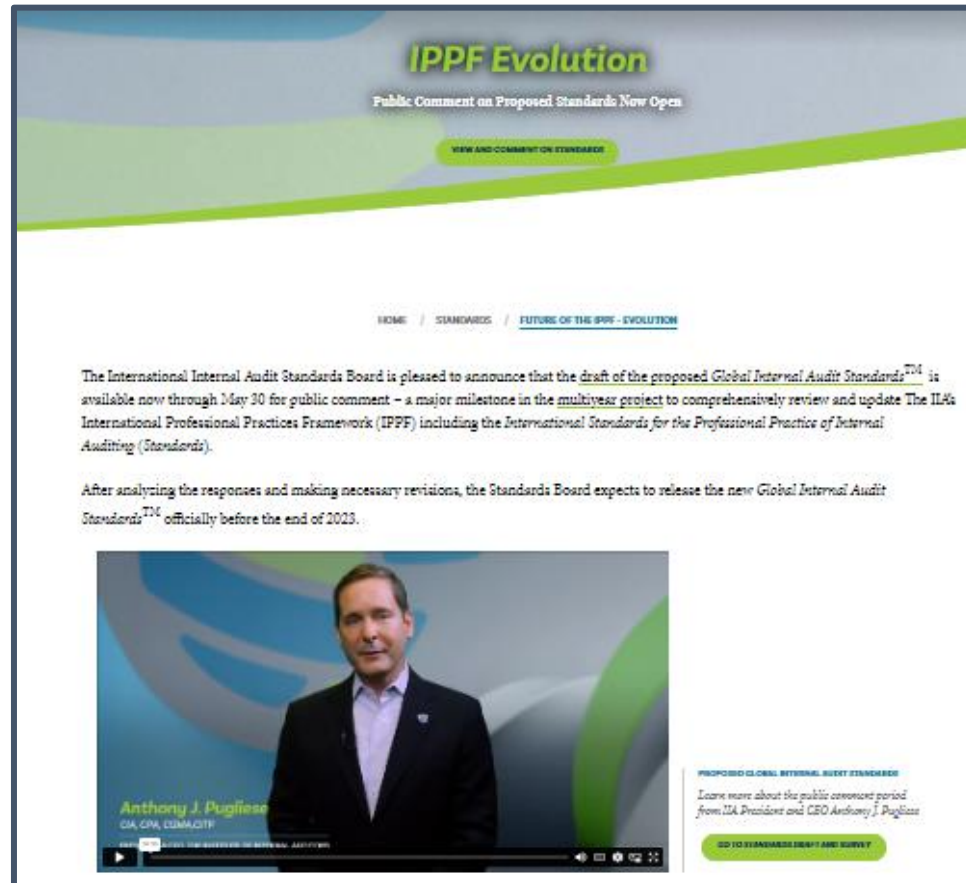
We Want To Hear From You!



Learn More

Project information and FAQs

www.theiia.org/ippfevolution



Read the Draft & Take the Survey

Click through from IPPF Evolution page



Survey for Public Comment



The Institute of Internal Auditors

MEMBERSHIP STANDARDS CERTIFICATIONS LEARNING RESOURCES ABOUT US

Global Internal Audit Standards

2023 Public Comment

READ AND COMMENT ON THE PROPOSED STANDARDS

Read the Standards and Take the Survey

▼ English
Download a draft of the proposed update. Feedback on the draft can be submitted through this online survey until 30 May 2023. You have the option to preview the questions before you take the survey.

- ▶ Bosnian (Bosanski) Dostupan
- ▶ Chinese Traditional (繁體中文) 可用的
- ▶ Greek (Ελληνικά) Διαθέσιμος
- ▶ Indonesian (bahasa Indonesia) Tersedia
- ▶ Polish (Polski) Dostępne wkrótce
- ▶ Russian (Русский) Доступный
- ▶ Spanish (Español) Disponible

- ▶ Arabic (عربي) متاح
- ▶ Bulgarian (български) Наличен скоро
- ▶ French (Français) Bientôt disponible
- ▶ Hebrew (עברית) זמין
- ▶ Japanese (日本語) 利用可能
- ▶ Portuguese (Português) Disponível
- ▶ Serbian (Srpski) Dostupno
- ▶ Swedish (Svenska) Tillgängliga

- ▶ Azerbaijani (Azərbaycanca) Dostupno
- ▶ Chinese Simplified (Simplified Chinese) Available
- ▶ German (Deutsch) Verfügbar
- ▶ Icelandic (Íslenska) Dostupno
- ▶ Korean (한국어) Dostupno
- ▶ Romanian (Română) Dostupno
- ▶ Slovenian (Slovenščina) Dostupno
- ▶ Turkish (Türkçe) Mevcut

To get started:

1. Select your language and download the Proposed Standards (PDF) before beginning the survey.
2. Check out the Resources for more information and help.
3. Click through to begin the survey.

English version closes May 30. See page for other dates available in other languages.

<https://www.theiia.org/en/standards/Standards-Public-Comment/>

Key Features of the Survey Pages

First question in each domain is required.

Domain II. Ethics and Professionalism

Domain II. Ethics and Professionalism

To what extent do you agree or disagree with the proposed content for this element?

- ☐ Strongly agree
- ☐ Agree
- ☐ Neutral (neither agree nor disagree)
- ☐ Disagree
- ☐ Strongly disagree

Domain II. Ethics and Professionalism

Please provide any additional comments or recommended changes for the proposed content for this element.

Comments are optional but available no matter which answer you choose.

Domain II. Ethics and Professionalism

From the list below, choose all areas for which you would like to provide feedback for this element.

- ☐ None
- ☐ Principle 1 Demonstrate Integrity
- ☒ Standard 1.1 Honesty and Courage
- ☐ Standard 1.2 Organization's Ethical Expectations
- ☐ Standard 1.3 Legal and Professional Behavior
- ☐ Principle 2 Maintain Objectivity
- ☒ Standard 2.1 Individual Objectivity
- ☐ Standard 2.2 Safeguarding Objectivity
- ☐ Standard 2.3 Disclosing Impairments to Objectivity
- ☐ Principle 3 Demonstrate Competency
- ☐ Standard 3.1 Competency
- ☐ Standard 3.2 Continuing Professional Development
- ☐ Principle 4 Exercise Due Professional Care
- ☒ Standard 4.1 Conformance with Global Internal Audit Standards
- ☐ Standard 4.2 Due Professional Care
- ☐ Standard 4.3 Professional Skepticism
- ☐ Principle 5 Maintain Confidentiality
- ☐ Standard 5.1 Use of Information
- ☐ Standard 5.2 Protection of Information

Choose to answer questions and/or comment on the standards of your choice or select "none."

Next Steps

IPPF Evolution Project / Global Internal Audit Standards Milestones

Translate draft and survey into 20+ languages for public comment. (done)

Review completed survey data and comments. (in progress)



Tentative dates:

Standards publication (digital) – January 2024.

Standards publication (print) – March 2024.

Examinations for IIA Certifications

Certified Internal Auditor

- **Exam**
 - Not before March 2025.
 - More information to come late in 2023.
- **Transition period**
 - Updates at least 1 year in advance.
 - Detailed information and ample time for in-process candidates to complete.
- **Study materials – CIA Learning System**
 - Not before March 2025.

Internal Audit Practitioner

- Not before July 2024.

Certification in Risk Management Assurance

- Not affected.



Quality Assurance and Improvement Program

Transition time

- If external quality assessment is due in 2023-24, it will be against current IPPF.
- If EQA due in 2024-25, then undertake it early if wanting to be assessed against current IPPF.
- Readiness assessment recommended in 2024.
- Update to *Quality Assessment Manual* to be completed early 2024.



What Can You Do Next?

- **Read the draft and complete the survey.**
- **Inform important stakeholders.**
- **Assess your internal audit function's readiness for the changes.**
- **Develop an action plan for your function.**



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Elevating the Profession.
Elevating Impact!***